

OLC 76-1889  
7 July 1976

MEMORANDUM FOR: Inspector General  
Deputy Director for Administration  
General Counsel  
Comptroller  
Intelligence Community Staff

STATINTL

FROM: [REDACTED]  
Acting Legislative Counsel

SUBJECT: CIA Relationship with GAO

REFERENCE: Memorandum for IG, GC, DDI, DDA; Subject: Analysis of Existing and Proposed GAO Authorities to Audit the CIA, dated 13 June 1976 (OLC 76-1649)

1. The issue of GAO authority to audit the expenditures of the CIA was the subject of discussions between Senator Inouye and Mr. Knoche during the 23 June 1976 confirmation hearing (attached). You will note that Senator Inouye specifically asked Mr. Knoche to be in touch with GAO to discuss guidelines for the possible resumption of GAO audits.
2. This memorandum addresses the need for a definitive posture preliminary to contacting GAO. In anticipation of such refocusing on the GAO issue, this office recently provided you referent.
3. It appears that the major issues to be addressed are:
  - a. Is the Agency prepared to recommend resumption of the pre-1961, limited GAO audits of the CIA, or something more extensive?
  - b. If a more limited audit procedure than that conducted by GAO of NSA and FBI is recommended, we must be prepared to justify fully the rationale for such an approach, in light of the environment of 1976, not 1961 (e.g., the existence of an intelligence oversight committee and the Congressional Budget Act of 1974).

c. Precise guidelines for whatever audit procedure is recommended must be developed.

d. The necessity to avoid having to deal with GAO as a quasi-independent oversight agency.

e. The recent, and probably continuing, legislative initiatives (Section V.G. of reference) to require congressional review of unvouchedered funds expenditures by Federal agencies.

f. The recommendations by both the Pike Committee and the Church Committee that GAO be empowered to audit fully all intelligence agencies.

4. We would appreciate your recommendations by 13 July as to how best to approach this problem. [Redacted] on the major issues involved.

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Attachment:  
As stated

concern, the Central Intelligence Agency is not the organization

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of those, and I think the full answer to that has to come from elsewhere within the executive. But I certainly in principle have no objection whatsoever to that being the case.

The Chairman. Since 1961 the GAO has not audited the expenditures of the CIA. Specially cleared GAO auditors are now auditing NSA expenditures; others will have access to FBI materials.

Are you willing to let specially cleared employees of the GAO, the investigating arm of Congress, have access to all CIA materials on expenditures?

Mr. Knoche. That is a thing certainly worth considering, Senator, and I don't have any personal objection to that whatsoever. I think working with this Committee and others that might be formed of a somewhat similar ~~charter~~<sup>charter</sup> on the House side, that we would want to work together to develop some guidelines for that.

I am not at all sure what happens in the case of GAO reporting as to what extent their findings and recommendations are made available across the board through the entire Congress. There will be some sensitivity, some secrecy that attaches to any such GAO study, and the manner in which that is controlled and focused within the properly constituted oversight authorities of the Congress is something that we would want to consult about.

1 The Chairman. Prior to 1961 GAO did audit your books.  
2 did you find this a reasonable and satisfactory practice?

3 Mr. Knoche. It gave us no particular pain, but I think  
4 the head of the GAO had some difficulty with it. One of the  
5 things that conflicts a bit with the GAO's charter is the  
6 statutory responsibility of the Director of CIA to protect  
7 sources and methods, and I think that if the Congress in its  
8 wisdom wants to employ the GAO to go into the intelligence  
9 world, that we need to develop some guidelines as to how we  
10 can work out the proper arrangements there.

11 The Chairman. May I request through you that the CIA  
12 and its appropriate officials get together with GAO and come  
13 up with suggested guidelines that we can look over?

14 Mr. Knoche. Certainly, sir.

15 The Chairman. The Hughes-Ryan amendment provides for  
16 presidential certification that the covert actions undertaken  
17 by the United States are important to the national security.  
18 The law also requires that the appropriate Congressional  
19 committees be briefed on all covert actions, not just major  
20 projects.

21 Can you assure the Committee that it will be notified of all  
22 covert actions?

23 Mr. Knoche. Yes, Mr. Chairman, I think that working with  
24 the Committee and the staff, [if] we can develop ways for doing  
25 that in an orderly and regular kind of way. There are a number

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